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SUBJECT: TAIWAN: REPEAT WATER PROBLEMS LEAD TO PERSONNEL SHAKE-UP

1. Summary. Water supply problems two years running in northern Taiwan's Taoyuan County led to three officials losing their posts. Minister of Economic Affairs (MOEA) Ho Mei-yueh saved her job by delivering running water within her deadline. Pump failures at a second pumping station built after last year's problems have led to investigations into possible corrupt activities. Additional water supply improvements are under consideration. End Summary.

Poor Water Quality Precipitates Water Shortage

2. Two years in a row, typhoons caused major water shortages in northern Taiwan's Taoyuan City and County. Most recently, the August 5 Typhoon Matsa cut off water to 600,000 households in Taoyuan County for five days. This situation followed water management measures put in place in the aftermath of the August 24-25, 2004 Typhoon Aere, which left a total of 320,000 homes and businesses (over 2 million people) in Taoyuan without water for up to 19 days.

3. Ironically, the reason for the significant water shortages in Taoyuan was not due to the quantity of water in the region, but rather the quality. Following significant rainfall during the two typhoons, Shihmen reservoir, which provides water for the area, rose to record high levels. While major rainfall typically causes higher turbidity levels at all the reservoirs in the north, the turbidity levels at Shihmen have been by far the most severe. Due to mudslides around Shihmen, most of the stored water becomes unsuitable for processing into drinking water.

4. Following the August 2004 typhoon Aere, state-owned Taiwan Water Supply Corporation (TWSC) built a second pumping station in an effort to prevent future turbidity-induced water shortages following typhoons. Unfortunately, in the aftermath of the August 5, 2005 Typhoon Matsa (the second typhoon in as many weeks), half of the 10 pumps did not work.

Political Fallout

5. Public outcry over successive water shortages has led to political finger pointing. On August 9, President Chen Shui-bian publicly apologized for the government's inadequate handling of water resources, saying that it is not the first time residents have suffered water shortages and that it was time that someone take responsibility for the problem. Prosecutors are now looking into whether corruption may have played a part in the failure of the second pumping station.

6. In response, Minister of Economic Affairs Ho Mei-yueh, who directly supervises the operations of the Water Resources Agency (WRA), promised to step down from her position if full water supplies to southern Taoyuan County were not restored within a week of Typhoon Matsa. Furthermore, WRA Director-General Chen Shen-hsien and state-owned Taiwan Water Supply Corporation (TWSC) Chairman Lee Wen-liang also offered to resign over the water controversy. As water supplies were restored within Ho's deadline, she retained her job. However, Premier Hsieh accepted Chairman Lee's resignation and appointed Hsu Hsiang-kun (a former WRA Director) as the Chairman of the TWSC in his place. Furthermore, WRA Director-General Chen was given a warning. Finally, MOEA Administrative Vice Minister Yiin Chii-ming took responsibility at the senior level and stepped down to be replaced by Hou He-hsiung, the former Deputy Mayor of Kaohsiung. Hou is both a water resources expert and an engineer.

Economic Impact

7. According to the Industrial Development Bureau (IDB), industrial losses arising from the water shortages have been minimal. Although water rationing measures for industry were the same as for households, based on the water shortages experienced last year, most companies had installed reserve water tanks, drilled water wells or set up water-purchasing plans to ensure manufacturing continuity in

times of drought. Nonetheless, IDB has acknowledged that if the ongoing turbidity problems are not resolved, industrial production could also be impacted.

Planned Prevention Measures

18. To prevent future shortage, WRA plans in the short-run to increase the number of pumping stations at Shihmen Reservoir. For the long-term, the EY plans to earmark US\$18.8 million in next year's budget for water projects including the building of a water purification plant capable of storing 800,000 tones of water. In addition, WRA hopes to spend US\$47 million on maintaining and extending Shihmen and on raising water containment levels in order to take water from three different levels of the reservoir so that less turbid areas can be accessed following storms. Premier Hsieh has also promised to plant more vegetation in upstream areas and to strictly enforce laws prohibiting tree felling and over development on hilly terrain.

Special LY Session

19. The Democratic Progressive Party (DPP) is continuing to try to use water-related problems as an excuse to hold a special legislative session to approve an NT\$80 billion eight-year budget for water resources and flood-control management. Opposition parties remain unconvinced of the necessity to hold a special session for programs that they believe should be included in the regular budget.

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